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# Brexit and micro-businesses in Cumbria



In his monthly column, **Professor Frank Peck**, of the University of Cumbria's Centre for Regional Economic Development, looks at how the continuing uncertainty over our relationship with the European Union is effecting small employers in the county

**T**he business environment in the UK continues to be marked by considerable uncertainty.

As noted by the Bank of England Monetary Policy Committee, even at its meeting in March, the economic outlook continues to depend significantly on "the nature and timing of EU withdrawal, in particular, the new trading arrangements between the European Union

and the United Kingdom".

An imminent economic crisis has perhaps been averted, but the process has now been extended into the autumn with no greater clarity about the outcome.

In different ways, Cumbrian businesses of all types will be affected by the outcome of this process. Official government data reveals that there were 23,585 business enterprises registered in Cumbria in 2018, spread widely across all districts:

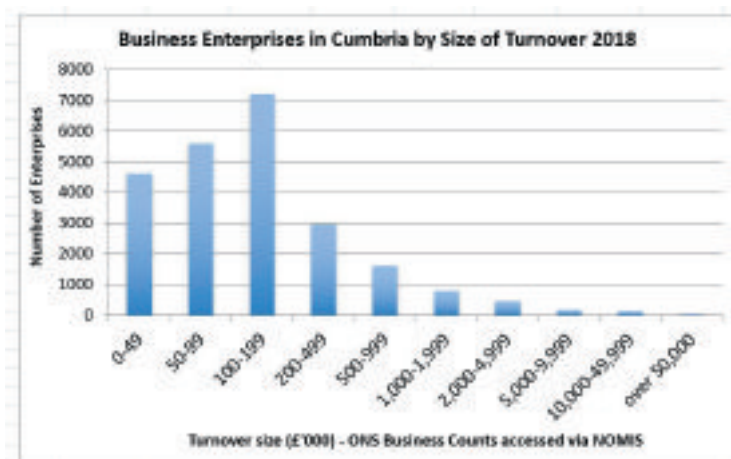
**'There will evidently be both risks and opportunity for micro businesses arising from Brexit'**

- 27 per cent in South Lakeland (6,410)
- 20 per cent in Carlisle (4,715)
- 19 per cent in Allerdale (4,470)
- 15 per cent in Eden (3,640)
- 10 per cent in Copeland (2,440)
- 8 per cent in Barrow (1,910)

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after leaving the Common Agricultural Policy (CAP) and, for many, also over UK government policies for upland agriculture. Farm enterprises are a particularly significant proportion of enterprises in Eden, where they constitute 36 per cent of all enterprises. There are also over 1,000 farm businesses both in Allerdale and in South Lakeland.

Business administration and professional, scientific and technical services form the second largest group of enterprises, accounting for around 19 per cent of the total.

These businesses not only need to contend with the direct effects that Brexit may have on their business, but some also have an important role to play in providing professional advice to other enterprises in the county regarding the implications of Brexit for a wide range of business functions and practices.

The structure of business also reflects the significance played by tourism and recreation in the county – there are over 2,000 business enterprises in accommodation and food services as well as 1,135 in arts, entertainment and recreation.

The tourism sector also has major impacts on the retail and wholesale distribution system that accounts for another 1,100 enterprises.

There are significant numbers of business, too, in construction (2,810) and manufacturing (1,155), where Brexit uncertainties may surround access to migrant labour and supply chain management.

The majority of businesses in Cumbria, however, are small.

In fact, the vast majority can be classed as micro-businesses – those that employ less than 10 people. There are more than 21,000 such businesses in Cumbria, representing 89.4 per cent of the total.

Micro-businesses are particularly prevalent in agriculture, construction, finance, professional services and property, where they account for over 92 per cent of all businesses.

It is also important to recognise that Cumbria is not unusual in this regard – in fact, micro-businesses constitute 89.3 per cent of the UK total.

Government data also provides a breakdown of businesses by turnover size bands.

There are more than 1,500 enterprises with turnover of over £1 million spread across all sectors but the largest of these (more than £10 million) concentrated in production industries. At the other end of the spectrum, there are around 10,000 enterprises with a turnover below £100,000, again widely spread across all activities but most prominent in agriculture, professional services and construction.

In the smallest category, there are 4,630 enterprises with turnover below £50,000, 20 per cent of the total.

It is perhaps understandable, given their employment size and the geography of their supply chains, that much attention has been given to the impacts of Brexit on large corporations in key sectors, such as vehicles,

aerospace and pharmaceuticals.

The data on business structure shows, however, the numerical significance of micro-businesses. Collectively, these are a vital component of any local economy.

The prefix micro might suggest that these firms are limited to trading locally in mature product markets and services.

In fact, micro-businesses are highly diverse. The BEIS Small Business Survey 2017 reveals that around 18 per cent of UK businesses with fewer than 10 employees export goods or services. Trading online, in particular, has opened up many opportunities for internationalisation of micro-businesses.

There will evidently be both risks and opportunity for these types of firms arising from Brexit, depending on specific circumstances.

Micro-businesses dependent on markets in Cumbria, however, may also experience impacts from Brexit that, in some cases, could be negative – arising from slower economic growth in the UK – but might also be positive, depending on the way Brexit impacts on particular product markets within the UK.

Micro-businesses have much less time and resources to devote to contingency planning. On the other hand, they have demonstrated considerable resilience to economic shocks in Cumbria in recent years, drawing on strengths derived from local social networks and communities.

When decisions are made on redefining trading relationships with the EU and making any adjustments to regulatory requirements, timely and accurate advice will be critical for owner-managers of Cumbria's micro-businesses.

